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March 21, 2003

VIA E-MAIL (jimo@oic.wa.gov)
and REGULAR MAIL

The Honorable James T. Odiorne
Deputy Insurance Commissioner
Company Supervision
Washington Office of the Insurance Commissioner
5000 Capitol Blvd.
Tumwater, Washington 98501

Re: PREMERA; Our File No. 61000-001

Dear Mr. Odiorne:

You have asked CANTILO & BENNETT, L.L.P. ("C&B") to advise you with respect to the impact that the unsatisfied outstanding data requests will have on the ability of C&B to provide the Washington Office of the Insurance Commissioner (the "OIC") a legal opinion in regards to the PREMERA Group's ("PREMERA") proposed transaction as described in the Form A (the "Proposed Transaction"). In analyzing the Proposed Transaction under the holding company acts and other applicable law, C&B has identified numerous issues that must be opined upon by various consultants engaged by the OIC (the "Consultants"). These issues primarily relate, although are not limited, to the following general areas: (1) anti-trust concerns; (2) the Proposed Transaction's impact on PREMERA's financial condition; (3) the Proposed Transaction's impact on availability, affordability, and accessibility of insurance coverages, (4) the Proposed Transaction's impact on policyholders, subscribers, providers, and the public in general; (5) the rationale behind PREMERA's business decision to implement the Proposed Transaction; (6) the value that should be conveyed to the foundation(s); (7) the reasonableness of current and planned future management compensation and benefits; and (8) the Proposed Transaction's potential tax consequences that may affect several of the foregoing areas. Thus, in order to fulfill its engagement with the OIC, C&B requires that the information requested by the Consultants be provided, so that the Consultants can opine upon the issues that have been identified or that may be identified in the future.

Moreover, many of the approximately 110 items claimed as privileged relate to the foregoing areas. Even assuming a valid privilege claim exists for those items, that claim does not obviate the fact that C&B may require those items in order to analyze the foregoing issues. For example, regardless of whether a valid claim of privilege exists, the following items would have an impact material to our determination of whether the Proposed Transaction was in the public interest or whether certain conflicts of interest exist with respect to management compensation and benefits.

Exhibit C

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Whether the Proposed Transaction is in the public interest necessitates a review of whether the interests of the public were truly considered by management and the board; and thus, C&B would need access to documents claimed as privileged such as Steering Committee meeting materials regarding transaction terms and priorities, the production of which has been withheld by Premera. Additionally, whether any conflicts of interest exist as a result of the Proposed Transaction requires an analysis of items claimed as privileged such as communications with counsel regarding stock programs, which Premera has not disclosed. These are only a few examples of numerous items claimed as privileged that would impact materially our analysis of the Proposed Transaction.

There also remain structural issues of the type we have discussed in recent teleconferences. If Premera amends its proposed transaction, C&B will need the revised documents in order to complete a review of the transaction. Similarly, the current proposed structure gives rise to a variety of tax and legal issues which may be obviated by changes that the company may feel compelled to make following the meeting that was held with state officials. We have refrained from posing the specific questions until the underlying structural issues are resolved. Illustrative of these are the structure of the Foundation Shareholder and Charitable Organizations.

Much of our work entails legal analysis. The applicable law can be ascertained independently of information requests, but at least in part, the structure and elements of the transaction dictate what law applies. To the extent that this process results in material alteration of the Proposed Transaction, additional legal analysis may become necessary.

We hope that this explanation serves your needs as we understand them. Please feel free to contact me at your convenience should you require clarification or additional information.

Sincerely,

/s/

Patrick H. Cantilo

PHC:jmw